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SMALL INDUSTRIES IN UAR.

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SMALL INDUSTRIES IN EGYPT

Small industries existed in Egypt since the start of the early stages of civilization. Different shapes of ancient tools and armaments used in prehistoric ages were the production of the industry in those ages and undoubtedly they were small and primitive.

Stepping into the different stages of civilization, small industries grew more clear and diversified to face the increasing and varying demand for different products. The long flood period of the River Nile covered the valley with water and isolated villages from each other and put the villagers in a sort of compulsory vacancy for a period varying between four and six months per year. During these months old Egyptians had nothing to do but fishing and producing some products necessary for their life either for their own use or for selling or interchanging for other products or food. This strengthened very much those industries and as a result old Egyptian styles for different products and handicrafts emerged and put themselves into history as small industries and artistic handicrafts.

There are of course today small industries particularly handicrafts in both highly industrialized and in developing countries which are survivals from a glorious past. One of the paradoxes of modern economic development is the active existence of small enterprises alongside of industrial giants.

Large scale and small scale industries co-exist not only in highly advanced areas but also in regions which have only recently began modern economic development with widely differing systems in the range from free enterprise to national and co-operative systems.

Small industries are likely to predominate in the artistic handicrafts where mass production is generally not possible and the work can only be carried out by independent experienced craftsmen who must succeed

in maintaining quality, finish and workmanship of the articles they produce.

There is also an opportunity for small industries to subsist where they serve to satisfy local and highly specific demands even where mass production of standard goods prevail.

Most important is the field in which production is shared by large scale and small scale industries. Specific services such as installation, maintenance and repair work can be carried out by small undertakings. There are also sectors in which large scale industry will contract-out certain specialized jobs to small industries such as the making of parts and the assembly and fitting up of machinery.

The cost of setting up these small undertakings is less than that of establishing large ones, hence small industries offer interesting fields for workers who could become redundant as a result of modern advanced technological progress.

With all these possibilities small industries will provide a pool of jobs and combat unemployment. In progressive developing countries the necessity to widely establish small but dynamic and efficient industries able to adapt themselves to the circumstances and needs is very obvious as this will give a better distribution of income and purchasing power and a balanced spread of employment, stopping surplus labour from drifting to the cities.

Industry must be spread over as wide an area as possible both in rural and in urban districts in order to provide as much employment as possible for workers in their own localities.

Fields of existing small industries

It has not been possible to designate a universally valid definition of small scale industry. Taken within the context of experience and development in this country small industry should include such small undertakings where the word "small" reflects the number of workers employed, the invested capital, the floor area, the degree of mechanization,

the turnover, the size of the firms market or a combination of all these factors.

According to the shape of small industries in Egypt, they can be divided into two main groups.

1. Home and Cottage industries These are found in all towns and villages. Number of workers is always limited by the family personnel and seldom exceeds five persons. Methods of production are almost traditional and with very little modernization. Products are sold in the environments or supplied directly to merchants who collect these products and send them to be sold in various parts of the country. No managerial problems exist as the whole concern belongs to the family for its welfare. Problems to obtain raw materials are solved in many cases by the merchants who collect the finished products or the land-owner himself tries to find his raw materials from the environments. Tools for production are made by the owner or bought from the environments. Examples of such industries are products from palm tree, and vegetable fibres, mat making, pottery, woman-knitting and embroidery, textiles by hand looms and some carpet and rug making.

2. Workshop industries. These are also found in all towns and villages but to a lesser extent. These industries can be divided into two main groups.

(a) Those not using power in their production. Number of workers can be any figure from 2 to 200 workers (excluding boys and apprentices).

(b) Those using mainly electric power. Number of workers can be any figure from 2 to 100 workers (excluding boys and apprentices).

Workshop industries may belong to individual entrepreneurs, to industrial co-operatives or to the State. Their main features are:-

(a) There is some form of management, its degree depends on the size of the enterprise, but different aspects of management exist related to purchasing, marketing, financing, personnel and so on. Usually these workshops suffer from lack of trained managers who have experience in dealing with these types of activity. Workshops belonging to individual entrepreneurs are usually small in size and their existence and expansion depend mainly on the skill and ingenuity of the owners. State owned workshops are usually bigger in size and have better opportunity to obtain managerial staff.

(b) There after is a lack of sufficient capital to procure sufficient stock of raw materials necessary to run the factory without interruption especially with the conditions of delayed payments to the factory from the customers.

(c) The variable situation in the market for the products with no steady demand coupled with a shortage of staff for marketing in the factory, leaves the factory nearly always with big problems concerning marketing.

Examples of these industries are footwear and leather goods (hand made), textiles made by handlooms and mechanical looms, carpet and rug making, rattan products, upholstery fibres from palm leaves (kerina) carpentry and furniture, ready-made clothing workshops, mechanical and electrical maintenance workshops.

Plans for developing small industries in Egypt.

Considered development for small industries in Egypt started in 1960 by the preparation of a comprehensive plan. This plan aimed at:-

(1) Training in the wide field of small industries so as to provide the coming generation of trained workers to have the necessary skills to produce the required quality of production.

(2) Erecting some new production units equipped with the necessary modern equipment to produce quality goods in different industries

and thus set a practical standard for the products or services. This would encourage other neighbouring workshops to try to reach both a high quality and a competitive price.

(3) Erecting some modern mechanized units specialized to supply small industries with the raw materials or services they find difficulty in obtaining. Examples of these units are wool spinning units for carpets and rugs and fibre dyeing units.

(4) Establishing an organ specialized to give loans to small industries with very low interest rates and supplying this organ with the necessary funds.

(5) Organizing and expanding the Industrial Co-operation and trying to collect small entrepreneurs into co-operatives through which raw materials, funds for development, expansion and operation, also marketing facilities can be supplied.

(6) Creating an Institute, with the help of the United Nations Special Fund, specialized in investigating, making surveys, studying and assisting in all the technical, economical and administrative aspects of small industries.

(7) Adopting the system of industrial estates in suitable places to act as a means for promoting small industries. To organize and execute this, a special organization for small industries was established in 1960 and this responsibility was given to this organization.

Targets achieved from the First Plan

1. Government Units

(a) 15 maintenance units. They are a type of combined units to produce some light mechanical equipment and to do the maintenance services for machines and automotive equipment. They also produce wooden furniture and printed material required for the environments. In addition a system of apprenticeship

training for boys who have finished their primary education is adopted in each unit.

(b) 3 wool spinning units. These units are equipped with the necessary equipment to produce white and coloured wollen yarn to meet the requirements of the carpet and rug making industries.

(c) 18 carpet and rug making units. These units produce carpets and rugs manually on hand looms in modern and/or traditional designs. Training of boys and girls on this production is a main target.

(d) 13 hand loom units. To produce special hand wooven cloths which is a tradition in the country and has its particular fields of demand. Training of young hand-weavers is also carried out so as to maintain the flow of new blood into this industry.

(e) 6 modern fibre dyeing units. To dye cotton, silk and woollen fibres for hand-weavers and carpet and rug industries. This service was in the past done in a very crude way due to lack of space and equipment in the dyeing factories. Now adequate equipment, space requirements and methods of operation have been installed in these units.

(f) 5 Khan El Khalily units. To train young workers on these handicrafts for the survival and expansion of these traditional artistic manual industries. Also the old original patterns and designs are being improved and executed manually with the help of modern hand tools.

(g) 1 bamboo and rattan unit. To train and produce bamboo and rattan furniture according to modern patterns to suit the developing taste.

(h) 13 vegetable fibre units. To use the available vegetable fibres to produce goods such as baskets and mats for the use

in the environments. Training of young boys is carried out in these units.

(i) 5 kerina units. To use date palm leaves which is abundant and cheap to produce a good upholstory material mainly for exportation.

(j) 3 date dehydration and fumigating plants. To open new fields for the Egyptian dates by dehydrating and preparing it for exportation and for local use.

(k) 13 honey making units. To train on honey making and produce assorted types of bees for distribution between farmers for the sake of increasing potentialities of honey making in the country.

(l) 5 dairy products units. To make use of the excess amount of milk available in villages which are far from milk markets by making butter and cheese by hygienic and economical methods.

(m) 64 units for woman knitting and embroidery. To train girls and women on dress making, knitting, needle work and embroidery so as to enable them to increase their family income.

2. Co-operatives

A big number of industrial co-operatives was initiated to collect small entrepreneurs for this field. These co-operatives had two main shapes:

(a) Serving co-operatives: where each member has his own workshop and runs it for his own benefit. The co-operative serves him in providing raw materials and marketing a portion of his products (big or small).

(b) Collective co-operatives: where the members are collected to work in one big workshop with or without their own tools. Management emerges from them or sometimes a hired manager works for the benefit of the co-op and in this way the co-op operates as one producing factory.

The following table gives a list of the existing industrial co-operatives in Egypt on 30/6/65.

	Kind of co-operative	No. of	Members	Capital £	Reserves £
1.	Furniture & carpentry	37	7,182	29,031	8,908
2.	Leather tanning and foot-wear products	1	331	181,985	13,452
3.	Footwear & lth. goods	29	2,745	5,174	2,234
4.	Mechanical weaving	4	663	53,081	24,562
5.	Knitting	2	221	6,692	-
6.	Hand weaving	24	3,123	12,786	4,541
7.	Carpet & rug making	17	1,735	3,121	1,798
8.	Clothing & rubber combined	1	9	885,615	-
9.	Clothing	14	1,151	48,102	120
10.	Chemicals & glassware	3	426	6,504	1,087
11.	Fishing boats	3	97	869	-
12.	Mat making	6	513	1,733	362
13.	Women needle work	22	2,588	3,620	1,866
14.	Printing & publishing	5	206	70,958	-
15.	Mechanical trades	11	774	3,477	196
16.	Building & oonstruction	23	4,020	106,761	92,438
17.	Khan El Khalili trades	4	559	2,290	565
18.	Palm tree products	14	1,369	93,338	1,443
19.	Dairy products	4	160	3,239	200
20.	Honey making	2	178	224	-
21.	Bread making	6	213	5.317	21
22.	Rice straw baling	2	175	320	-
23.	Food for farmers' animals	3	252	3,714	-
24.	Village industrialization	8	6,586	6,400	1,613
25.	Coir & rattan products	4	238	249	20
26.	Miscellaneous	29	15,600	190,628	38,654
	T o t a l	280	51,230	1,724,967	194,122

3. Loans to small industries and industrial coops

A fund of two million Egyptian pounds was provided for loans to small industries and industrial coops for the period of the first five year plan (1961-65). The simple rate of interest did not exceed 3 % annually. This fund was quickly absorbed and the Small Industries Organization had to subscribe to letters of credit to cover the increasing demand for finance which amounted to about an additional million Egyptian pounds by the middle of the year 1965.

4. Technical and economical studies with assistance providing extension service to small industries and industrial coops

Specialists in different technical, economical and administrative fields were gathered to plan the services required for this sector. Entering deeply in executing the plan the team was engaged in the execution and operation of the old and newly existing units and coops. The need for an organization specialized in studying and training for production and supervisory personnel to provide assistance and extension services to the sector was clearly evident, and international aid was sought. Finally it was arranged between the UAR Government and the UN Special Fund to build an Institute for Small Industries in Cairo, its main aim is to provide the technical, economical and administrative assistance to the whole sector of small industries and in addition to provide the extension services required in the field. A team of international experts is leading the work with the national assistants who are supposed to take over the load later on when the Institute is fully established.

5. Purchasing and marketing facilities to the sector

Twenty marketing centres were founded in the different provinces of the UAR. Their main function is the collective purchase of raw materials required for the sector in the province and to give assistance in marketing the products either in the province or in other provinces. A central marketing centre in Cairo co-ordinates the work between the twenty centres. Importation of foreign raw materials and spare parts

and exportation of goods from the sector in the different provinces is the main function of the Cairo Central Marketing Centre.

6. Adoption of industrial estates policy

The basic motivation to set up industrial estates is to induce industry, particularly small industries to settle and develop at a specific location, planned and improved to that effect.

Industrial estates are one of the means of encouraging and supporting the creation, modernization and expansion of small industries and of assisting and servicing them through all stages of establishment and operation. The policy of building industrial estates is adopted for the first time in UAR in building one specialized estate for leather tanning, footwear making and other ancillary industries. This estate now is under construction in the south of Cairo on an area of about 130 acres. Another estate (for diversified industries) in Mansourah is under study and the first steps for building the estate has started recently.

PROBLEMS FACING SMALL INDUSTRIES IN A QUICKLY DEVELOPING NATION

In UAR there are intensive plans for development in all fields especially industry. The standard of living of the nation is rising quickly year after year. Also the quick change of the economic and social pattern of the life from completely capitalistic to completely socialistic pattern has its effect on these industries, all of which is related to a number of problems such as:

(1) Personnel problem

The severe lack of qualified persons at all levels affects very much the execution of the plans and lowers the efficiency of the projects and delays production. Training systems and trade schools were not adequate to supply the plan with the necessary numbers of trained persons. Large industries always attract those who are going to be trained and those who are trained so that small industries suffer from a lack of trained personnel.

The older workers in small industries who leave to join the larger factories are hard to replace for the younger generation once they have reached a certain standard of living also try to break away from a climate which they consider reflects illiteracy and poverty. They turn to more modern and better paid activities which carry the prestige of modern techniques.

Lack of trained managerial staff to manage and control these industries is also one of the main problems. The Institute of Small Industries may overcome this in the future but the problem is existing now and its is a serious problem. The rising standard of living plus the quick change towards a socialistic pattern makes it necessary to change continually the wage systems and increase the earnings of individuals. This puts the economy of these industries under question all the time, and requires the continuous need for improvement of techniques and production with the elimination of waste.

In some zones of the country due to intensive industrialization, wages have risen very high in comparison with the rest of the country and this affected the final costing of the products. An inflow of the products to the province from the other neighbouring provinces, with lower prices will affect very much the marketing problem and a quick solution must be found, either by transferring this industry from that province or by subsidizing. The only type of small industries that are suited to such zones are those ancillary to big industries and the maintenance workshops.

Finally a large number of persons leave the small industries yearly specially in the supervisory levels, very clearly to be seen in the ancillary industries to join the big industries and this puts small industries always in an awkward situation.

(2) Raw materials

Problems of raw materials can be divided into two main groups:

(a) Foreign raw materials

The requirements of big industries always absorb the major portion of foreign currency available and leaves but a minor sum to small industries which may not be sufficient to supply the small industries with their requirements of foreign raw material. Also the organizations for importation are far from the field of small industries and this may affect the quality of the imported raw materials and its usefulness for the industries.

(b) Local raw materials

The main problem concerning the local raw materials is the continuous increase in price. Cases are well known for an increase from a base price of £ 2 per ton till it reached about £ 9 per ton for one of the important raw materials used in these industries over a period of about two and half years. This problem seriously affects production and its costs. The interference of middlemen in raw materials by collecting large quantities from their sources cornering same and imposing higher prices on the market has a considerable effect on raising the prices.

(3) Financing

Nearly the three divisions of the small industries that is units belonging to the State, co-operatives and individual entrepreneurs lack sufficient money for running the business. Causes for this insufficiency are:-

(a) Continuous increase of prices of raw materials and wages which necessitates increasing the running capital.

(b) There is always a delay from the side of the General Sector, which is the biggest consumer, to pay for what they bought from the sector of small industries.

(c) Collected capital from industrial co-operatives always is nominal and very small to start the business thus loans must come to them quickly from the Small Industries Organization. These loans actually represent a part of the necessary capital for the business and its withdrawal will directly mean instantaneous stop of the running wheel. Thus these loans do not return to make a revolving fund in the organization and new money is always needed to carry out the new financing.

(d) Marketing problems and increase of stocks of products have always harsh effects on the running capital.

Letters of credit offered from the Organization to finance contracts to be fulfilled by the factories of the sector are issued continuously which does solve a considerable part of the problem.

4. Products & Marketing

Marketing products for the sector internally or abroad is always faced with many problems, such as:-

(a) Lack of standards for the different products suited for the market which makes the goods in many cases not acceptable. Standardization is being introduced to cover as quickly as possible a major portion of the products of these industries so that this problem is reduced from day to day.

(b) Lack of qualified and experienced persons for marketing has the serious effect of increasing the stock of manufactured goods and locking up operational capital. This static capital stands idle and could be better used to increase turnover.

(c) The increase of production from day to day due to technical assistance and improved administration always requires initiative and effective methods to be implemented to push a marketing programme to dispose of the increasing production.

From what has been said one fact clearly emerges is that small industries have their part to play in modern economic development. Although they may be survivals of the past they have definite economic functions to perform:- meeting specific requirements and or acting as essential auxiliaries to large scale industry. The question of the optimum size of an undertaking will depend on several factors, some organizational and managerial, others operative and technological, it will thus be clear that every concept of size is a variable factor. Some undertakings remain small because they are on their way-out, while others are small because they have not yet had the time to grow in relation to their vitality. Similarly there are even medium size industries which are on the decline and others showing signs of rapid growth. Thus the future for small industries is bright provided conditions are such that they can discharge their functions efficiently.

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